



**New Financing Arrangements for the CGIAR:
Re-engineering the Planning, Budgeting,
and Funding Systems**

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INTRODUCTION

The CGIAR is an informal association whose membership is open to any government, agency, or organization, public or private, that is willing to provide financial support to its goals on a sustained basis.

The CGIAR was established through cooperation between the philanthropic private sector (the Ford and Rockefeller Foundations in the United States) and the international community (represented by governments as well as international agencies). The reasons for the involvement of the international community are:

- CGIAR research is aimed at benefiting the poor in developing countries. The CGIAR's research products are in the public domain to ensure that researchers and farmers in developing countries can have free access to them.
- The research undertaking requires genuine international cooperation to ensure that researchers can collaborate across national borders and have unhindered access to germplasm from different environments.

The CGIAR's financial operations are governed by the following precepts:

- The CGIAR agrees, as a group, to a common research agenda, based on advice from TAC.
- The agreed agenda is derived from research proposals presented by the sixteen CGIAR cen-

ters, which are legally independent entities.

- The member donors directly fund research activities of the individual centers of their choice, according to their own policies and priorities.

These precepts have accomplished two fundamental goals: (i) they have fostered an entrepreneurial environment for researchers that has been responsible for the CGIAR's successes, and (ii) they have given the donors an unmatched level of transparency and accountability for their funding.

Although the overall level of resources available to the CGIAR has remained remarkably robust despite the cutbacks in aid (evidenced by the 10 percent drop in overseas development assistance in 1993), the CGIAR faced a financial crisis in 1994. At the start of 1994, the CGIAR was faced with a US\$30 million shortfall on its basic research agenda of US\$270 million.

To resolve this financial crisis, the CGIAR embarked on a program to reform its governance and financing arrangements. The short-term component of the reform program, a financial stabilization program for 1994 to 1995, co-financed by the World Bank, has been successful in leading to full and stable funding in 1994 and 1995. The longer-term component of the reform program is a major re-engineering of the CGIAR's financing arrangements. This phase involves a sharper focus on the CGIAR's agreed research agenda, an explicit link to the global development agenda, and a clearer identification of the CGIAR's

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catalytic role in global agricultural research.

This document describes how the re-engineering is intended to ensure full financing of the agreed research agenda, improve predictability and stability of financial flows to the centers, increase transparency, and strengthen the accountability of CGIAR finances. This will be pursued in parallel with a major effort to improve the efficiency and effectiveness of the use of each dollar.

Guiding Principles

The financing strategy for the CGIAR recognizes the increasing limits on development assistance. However, it is premised on continuing development assistance support for two sound reasons.

1. The CGIAR has an outstanding track record. Studies conducted in many parts of the world and by different actors have confirmed that the CGIAR is one of the best investments in terms of returns. In relation to the largely troubled record of agricultural investments by international agencies as well as bilateral donors, the CGIAR is notable for consistently returning to humanity benefits far in excess of initial investments.
2. The CGIAR contributes to the development agenda. CGIAR products, by leading to cheaper and more food while conserving the environment, have a direct impact on the development goals of poverty reduction and natural resources conservation.

The re-engineering program reflects the following principles:

- The CGIAR should continue to focus on research which generates international public goods, leaving to the private sector what it does best, and to national institutes what is strictly national in orientation. The CGIAR should promote research networking and partnerships, and not seek to commercialize its outputs as a source of funding for the System.
- The CGIAR is an international enterprise with global benefits accruing from its research and, therefore, should be supported multilaterally.
- Multi-year support is essential to guarantee that CGIAR researchers working on priority long-term programs have stable funding over the minimum of 8 to 10 years required to develop new research products.
- Equal participation and joint ownership must replace outdated concepts of "donors" and "recipients." In this environment, more developing countries should contribute financially and participate fully in decisionmaking, thus becoming "owners" of the CGIAR.

Underlying Premises

The following premises underpin the proposed reforms:

- The agreed research agenda, defined by the needs of research partners and other beneficiaries in the developing world, remains the central focus of the CGIAR. In the past, donors could allocate their resources without reference to the research agenda to which they agreed. Now, full funding of the common agenda is the priority for

donors, collectively and individually. The agreed research agenda should drive the budget of the individual centers, not *vice versa*.

- Donor autonomy and center independence remain the principles guiding CGIAR governance. Donors may select what part of the agreed agenda they wish to support and how they wish to do so. Center boards and management have the responsibility and authority to manage the programs of research within their mandate.
- The CGIAR must retain its flexible funding arrangements, which allow donors to provide unrestricted support to centers, restricted support to discrete components of center programs, or a combination of both approaches.

THE PROGRAM STRUCTURE

The key concept behind the re-engineering is a matrix framework for planning and financing CGIAR activities.

Defining the Agenda at the Global Level

At the global level, the framework will identify the linkages between the work of the CGIAR and that of other actors in the international agricultural research community relevant to developing countries. This will sharpen the CGIAR's focus in the design of center programs and the agreed research agenda. [See Table 1, page 130.]

The global programs will be expressed as common themes; the cells in the table will be cohesive sets of research activities with timed objectives, expected outputs, and cost require-

ments. The new structure will illustrate, in both qualitative and quantitative terms, how the CGIAR contribution (modest in the broad perspective) plays a catalytic role as a bridge among other research entities. It will also identify more clearly the contribution of research to the global development agenda. Using the matrix framework in the CGIAR's priority setting processes, the CGIAR will be able to delineate its position in the international agricultural community, based on factors such as identified knowledge gaps, the CGIAR's comparative advantage in particular research activities, and its role in ensuring the international public goods nature of its research products.

Executing the Agenda at the CGIAR Level

To ensure effective management, the CGIAR's revised program and financial structure must facilitate the allocation of donor contributions, assist in negotiating among donors a balanced funding of the common agenda, and give donors control over the use of their funds. With this structure, it will be possible to show how the research agenda is linked with the development agenda (for example, environment, food, and poverty) and still maintain the focus of specific research programs (for example, breeding, genetic conservation, and policy). At the same time, the new structure should be consistent with center operational arrangements for implementing research programs, such as project based management and budgeting.

Each cell in the matrix will represent a cohesive set of activities. [See Table 2, page 131.] These activities will have an objective that is consistent with

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All research organizations must have a reasonable provision for “unconstrained” or “unprogrammed” research to foster innovation and creativity, and to provide flexibility to management.

the research program to which they contribute, expected outputs or performance or impact indicators, partnerships, and financial allocations.

The CGIAR considers strategic research capacity and managerial and physical infrastructure prerequisites for any research project. It recognizes that centers must have a basic institutional foundation and research capacity before they can develop and conduct research programs. This, in turn, requires adequate and sustained funding.

Two other factors are relevant in establishing the program structure. The first is that all CGIAR centers have overhead costs. Some of these fixed overhead costs, such as a board of directors, a director general, finance and administrative staff, are somewhat independent of the size of the center. In addition there are the “normal” overhead costs within which we must distinguish between those costs intended for quality enhancement and assurance, such as external reviews and peer reviews (which should be protected), and other overhead costs, such as maintenance of plant and facilities.

The second is that all research organizations must have a reasonable provision for “unconstrained” or “unprogrammed” research to foster innovation and creativity and to provide flexibility to management. Table 3 [see page 131] illustrates these costs as columns in the matrix for fixed overhead and unconstrained research. Associated with each activity (each cell of the matrix) there is a bit of variable overhead. There is a transaction cost to executing each of these activities and they must be identified and

coupled to the activity with which they are associated. Only thus will true transparency be obtained.

FINANCING THE RESEARCH

AGENDA: METHODS OF FUNDING

This section illustrates ways in which the CGIAR’s various funding methods could be applied to the program matrix to develop a comprehensive financing plan for the agreed research agenda.

System Support—World Bank Funding

The World Bank funds 15 percent of the CGIAR’s agreed research agenda and work program. The contributions are provided to the System as a whole and are allocated to individual centers on the basis of CGIAR decisions. [See Table 4, page 131.] This practice is not likely to change; the Bank will continue to support the agreed research agenda. Its contributions, in conjunction with funding from other donors, will be available to cofinance either centers (rows) or programs (columns). The Bank may also cover a portion of the fixed costs of the centers.

Center Funding

A significant proportion of the CGIAR’s resources (55 percent, excluding the World Bank) is in the form of unrestricted contributions to individual centers. By their nature, these contributions provide a critical element of flexibility to center management and, hence, this approach will continue to be encouraged. The matrix approach facilitates these contributions. [See Table 5, page 132.]

Program Funding

The CGIAR recognizes a need to develop intercenter research programs that can address the multidimensional nature of problems in the agriculture sector, particularly in the areas of natural resources management and sustainability. CGIAR donors have demonstrated strong support for such cross-center system-wide programs being implemented under the 1994 to 1998 Medium-Term Plan. [See Table 6, page 132.]

Funding of Specific Activities

In the final funding approach, specific cells or discrete projects within the matrix are funded. [See Table 7, page 132.] Although only a few CGIAR donors use this approach, it permits financing by donor agencies whose regulations limit their contributions to project funding.

THE FINANCING PLAN

Each Donor's Contribution

The financing plan for the CGIAR research agenda is the sum of contributions by individual donors to centers, programs, and projects in addition to the contributions by the World Bank, which finances the CGIAR System as a whole. Table 8 [see page 133] shows how one donor might contribute through each of these methods.

Center and Program Budgets

Because standardization of information is essential to a transparent and predictable financial system, one early step in the development of the CGIAR

financing plan will be to solicit contribution information from all donors in a format that transparently links the contributions to individual centers or to the program structure. The next step in formulating the CGIAR financial plan will be to aggregate allocations by individual donors. [See page 9, page 133.]

To create a plan and give centers firm guidance, the CGIAR will have to develop operational procedures for resolving differences, such as overfunding or underfunding of cells, in a timely manner. These will take the form of consultations with donors, followed by a review of funding prospects by the Finance Committee, leading to the adoption of the financing plan by the CGIAR.

OPERATIONAL CONSIDERATIONS

Schedule of Decisions

Implementation of the new financing arrangements raises several operational issues related to timing; Table 10 [see page 133] illustrates the schedule that will be used in the future. Points worth highlighting in this schedule are:

- Decisions on the agenda for next year and its financing will be made at the Mid-Term Meeting in May to facilitate discussion within donor agencies before International Centers Week in October and to harmonize decisions about the CGIAR with other annual overseas development assistance (ODA) decisions in those agencies.
- Discussions about the CGIAR financing plan will take place between the Mid-Term Meeting in May and International Centers Week in October to ensure that a

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The CGIAR will continue to collaborate with the private sector on technical issues as long as the exchange remains within the bounds of its guiding principles. Private sector financial support could be solicited as corporate philanthropy with appropriate safeguards to avoid an appearance of privileged access to CGIAR research products.

firm financing plan can be completed at Centers Week. This schedule permits stable and predictable planning and implementation of the research agenda.

Multi-year Financing

Because CGIAR research involves medium- to long-term programs, the financing process ideally should involve multi-year funding commensurate with the time span of these programs (for example, three to five years). The CGIAR recognizes, however, that some donors are not in a position to provide multi-year funding for reasons that range from internal financial regulations to conflicting schedules of financial decisions. For this reason, the new financing arrangements will encourage multi-year commitments from all donors, but accommodate annual financing procedures and varying forms and durations of commitments.

It should be noted, however, that given the relatively small amount that CGIAR funding represents in the total budget of each donor, a strong political commitment by ministers/heads of agencies would be a reasonably good

guarantor of predictability without requiring any new legal or procedural arrangements.

Private Sector Support

The CGIAR will continue to collaborate with the private sector on technical issues as long as the exchange remains within the bounds of its guiding principles. Private sector financial support could be solicited as corporate philanthropy with appropriate safeguards to avoid an appearance of privileged access to CGIAR research products. In this respect, the participation of the two US foundations would be the obvious model. What may be worth exploring is whether the CGIAR ought to extend its efforts to solicit philanthropic participation from the private sector through a "CGIAR foundation."

IMPLEMENTATION

A transition to the new financing arrangement, including the matrix approach, has already begun; the new system is expected to be in place by the start of 1996.

Table 1.

Defining the Agenda: Actors and Programs											
Problems Topics											
Programs											
	1	2	3	4	5	6	7	...	n	Total	
OECD											
CGIAR	•	•	•	•			•			•	<2%
NARS											
NGOs											
Private											
Other											
											100%

Table 2.

Executing the Agreed Agenda											
		Programs									
Centers		1	2	3	4	5	6	7	...	n	Total
A							•	↑			Bdgt 'A'
B					↑						Bdgt 'B'
C				•	↓			•		•	Bdgt 'C'
D			•		↓			↓			Bdgt 'D'
•				↓				↓			
•						•					
CGIAR											Total Budget

Agreed Agenda and Work Program

Table 3.

Overheads and Unconstrained Research											
		Programs									
Centers		F	U	1	2	3	4	5	...	n	Total
A		■	■				■				Bdgt 'A'
B		■	■	■							Bdgt 'B'
C		■	■					■			Bdgt 'C'
D		■	■			■					Bdgt 'D'
•		■	■					■			
•		■	■							■	
CGIAR		■	■	■	■	■	■	■		■	Total Budget

Agreed Agenda and Work Program

Table 4.

World Bank Funding											
		Programs									
Centers		F	U	1	2	3	4	5	...	n	Total
A											
B											↑
C											
D											
•											
•											
CGIAR				←	-----						15% Total Budget

Agreed Agenda and Work Program

Table 5.

Center Funding											
Programs											
Centers	F	U	1	2	3	4	5	...	n	Total	
A											
B					◀	-----				█	
C					◀	-----				█	
D											
•											
•											
CGIAR										Total Budget	

Agreed Agenda and Work Program

Table 6.

Program Funding											
Programs											
Centers	F	U	1	2	3	4	5	...	n	Total	
A										Bdgt 'A'	
B										Bdgt 'B'	
C				▲	▲					Bdgt 'C'	
D										Bdgt 'D'	
•											
•											
CGIAR				█	█					Total Budget	

Agreed Agenda and Work Program

Table 7.

Funding Specific Activities											
Programs											
Centers	F	U	1	2	3	4	5	...	n	Total	
A											
B			█	-----	→					█	
C			↓	█	-----	→	+	█	→	█	
D				↓							
•											
•											
CGIAR			█	█	-----	→		█	→	Total Budget	

Agreed Agenda and Work Program

Table 8.

Each Donor's Contribution											
Programs											
Centers	F	U	1	2	3	4	5	...	n	Total	
A											
B											
C											
D											
•											
•											
CGIAR											Total Contribution

Agreed Agenda and Work Program

Table 9.

CGIAR Financing Plan with Center and Program Budgets											
Programs											
Centers	F	U	1	2	3	4	5	...	n	Total	
A											Bdgt 'A'
B											Bdgt 'B'
C											Bdgt 'C'
D											Bdgt 'D'
•											
•											
CGIAR											Total Budget

Agreed Agenda and Work Program

Table 10.

